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## STATE SCHOOL AID UPDATE

Michigan Department of Education

January 2006  
Vol. 14 No. 4

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### JANUARY 12, 2006 REVENUE ESTIMATING CONFERENCE

A revenue estimating conference was held on January 12, 2006 to update revenue projections for fiscal years 2005-2006 and 2006-2007, and to set a final revenue figure for fiscal year 2004-2005. The state school aid fund consensus reached is that fiscal year 2004-2005 revenues are \$71.4 million more than projected at the last conference in August 2005. The projection for fiscal year 2005-2006 is \$18.2 million dollars less than projected in August of 2005. The initial projected revenue for fiscal year 2006-2007 is \$360.2 million higher than the projection for fiscal year 2005-2006. The consensus estimate for the number of pupils (FTE) counted for fiscal year 2005-2006 state aid membership is 5,100 less than previously estimated. As a result of these projections, it has been determined that excess school aid funds are available for appropriation in fiscal year 2005-2006. **This does not mean that they will be appropriated for 2005-2006. To date, no additional fiscal year 2005-2006 funds have been appropriated.** In order for additional funds to be appropriated, a bill to that effect will need to pass both the full House and Senate. However, in a letter dated January 17, 2006 to the Chairs of both the Senate and House Appropriation Committees the State Budget Director has recommended that an additional \$25 per pupil be provided to districts for the school year ending June 30, 2006. It should be noted that the \$25 would not be an increase to the per pupil foundation grants. Rather, the funds would be distributed as a separate categorical amount. The funds would be in addition to the foundation allowance under Section 20 of the State School Aid Act (SSAA) and would be considered discretionary, non-mandated payments in addition to those discretionary funds allocated under Section 22b of the SSAA.

Prior to the January revenue estimating conference, the House passed two bills that are contingent upon whether or not the combined total amount of projected school aid fund revenue for fiscal years 2004-2005 and 2005-2006 is at least \$35 million more at the January conference than was projected at the August 2005 conference. House Bill 5452 would provide a foundation grant increase of \$25 per pupil for all districts with a foundation grant of less than \$7,200 up to a maximum foundation of \$7,200. House Bill 5436 would appropriate \$18.5 million to create a per pupil grant to school districts for each pupil in grades 6 through 8 of \$65. The funds would be designated for the Middle School Math Initiative. House Bill 5436 and House Bill 5452 are tie-barred.

**In order for these bill to become law they would have to be passed by the Senate and signed by the Governor.** With questions regarding this item, contact Dan Hanrahan, Office of State Aid & School Finance, (517) 335-0521, or e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov).

### STATE AID CONTINUES TO BE WITHHELD FOR DELINQUENT REPORTS

A few districts and PSAs continue to have state aid withheld because they have failed to file the *financial* audit report and/or the Annual Comprehensive Financial Report-Financial Information Database (FID). Payments will continue to be withheld until the required reports are received. All 2004-2005 *pupil accounting* audit reports have been filed. Questions regarding the *audit reports* may be directed to Kathy Weller, Office of Audits, (517) 335-6858, or e-mail: [WellerK@Michigan.gov](mailto:WellerK@Michigan.gov). Districts with questions pertaining to the *FID* may contact Glenda Rader, Office of State Aid & School Finance, (517) 335-0524, or e-mail: [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov). We greatly appreciate the cooperation of all those who have filed their reports in a timely manner.

### FY 2005-2006 RENAISSANCE ZONE ESTIMATES ON THE JANUARY STATUS REPORT

Prior to fiscal year 2004-2005, the Section 26a Renaissance Zone funds have not appeared on the State School Aid Financial Status Reports until late in the school year when the actual taxable values of the Renaissance Zone property were reported to the Treasury Department and the actual district or intermediate district allowance was calculated. Again this fiscal year, beginning with the January payment, we are paying out the Renaissance Zone funds on an estimated basis until the actual numbers are known. This is similar to several other categorical program funds. Therefore, you will see a current year Renaissance Zone allowance on your January status report in the section labeled "Current Year Allowances." The January payment includes reimbursement of 36.36% of the estimated allowance.

The allowance for local school districts is calculated by multiplying the non-homestead Renaissance Zone taxable value by the school operating millage. Hold-harmless school districts also use the homestead Renaissance Zone values. The reimbursement to intermediate school districts is calculated by multiplying the homestead and non-homestead taxable values by the intermediate district millage rates. If there is Industrial Facility Tax property in the Renaissance Zone, the intermediate district is reimbursed for its share of the Industrial Facility Tax for the allocated millage. If the intermediate district does not receive Section 56 and/or Section 62 funds, the intermediate district is reimbursed for the applicable special education millage and/or vocational education millage. Questions regarding the calculation of the Renaissance Zone funding should be directed to Howard Heideman, Michigan Department of Treasury, Office of Revenue and Tax Analysis, (517) 373-9002 or [HeidemanH@Michigan.gov](mailto:HeidemanH@Michigan.gov).

### **ADULT EDUCATION ADJUSTMENTS FOR FY 2004-2005**

Districts operating adult education programs may see two prior year adjustments for the fiscal year 2004-2005 Section 107 Adult Education payments. As is described in Section 107(10)(b) of the State School Aid Act, 10% of a district's allocation is based upon program objectives and/or completion. Adjustments for meeting less than 100% of objectives have been made. Those recovered funds have been redistributed to districts that reported participant FTE counts in excess of their caps. FTEs above the cap are being paid out at \$74 per FTE based on information provided on the AE-4859 Section 107 Performance Report. Questions regarding the calculation of the adjustment may be directed to Joellen Wonsey, Office of State Aid & School Finance, (517) 373-3352, or [WonseyJ@Michigan.gov](mailto:WonseyJ@Michigan.gov). With questions regarding the AE-4859 Report, contact Sandy Thelen, Department of Labor and Economic Growth at (517) 373-3395 or e-mail [ThelenSJ@Michigan.gov](mailto:ThelenSJ@Michigan.gov).

### **UPDATE TO THE MICHIGAN PUBLIC SCHOOL ACCOUNTING MANUAL**

Change Notice Number 13 updating the Michigan Public School Accounting manual was mailed to business managers on December 21, 2005. This information along with the entire manual may also be found on our website at [www.Michigan.gov/mde](http://www.Michigan.gov/mde). Click on "keywords" in small print near the top of the page and then "Michigan Public School Accounting Manual." Districts are required to implement these changes in financial records that are to be reported for the 2006-2007 fiscal year (beginning July 1, 2006). However, early implementation is encouraged and will be allowed in the 2005-2006 Financial Information Database (FID) which is due November 15, 2006 under current law. With questions regarding this Change Notice, contact Glenda Rader, Office of State Aid & School Finance, (517) 335-0524, or e-mail: [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

### **FINANCIAL INFORMATION DATABASE (FID) CORRECTIONS**

Office of State Aid and School Finance staff mailed out various correspondence to school business managers the week of January 15, 2006 related to an analysis of the 2004-2005 fiscal year Financial Information Database (FID) submission. The correspondence requests that business officials review the data in question and either correct the FID or contact the Office of State Aid and School Finance to explain the discrepancies. Your cooperation in "cleaning up" the 2004-2005 FID data is very much appreciated. With questions regarding this request, contact Glenda Rader, State Aid & School Finance, (517) 335-0524, or e-mail: [RaderG@Michigan.gov](mailto:RaderG@Michigan.gov).

### **IMPORTANT DATES TO REMEMBER**

- C **February 1** is the due date for districts and ISDs to report to the local health department the **immunization status** of each new pupil in grades K-12 who enrolled in the district or ISD for the first time during the immediately preceding calendar year and all 6<sup>th</sup> graders, pursuant to State School Aid Act Section 167. (Patty Lawless, (517) 373-1122, [LawlessP@Michigan.gov](mailto:LawlessP@Michigan.gov))
- C **February 8** is the **supplemental count day** for all districts, ISDs, and PSAs and the 3<sup>rd</sup> quarterly count date for adult education participants. (Joellen Wonsey, (517) 373-3352, [WonseyJ@Michigan.gov](mailto:WonseyJ@Michigan.gov))

### **GENERAL INFORMATION**

- C The proration factor for Section 31a - At Risk funding is \$170.6316483257 per pupil.

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\*Do you have questions about the information appearing in this UPDATE? Call the consultants identified above or **Dan Hanrahan, Director, State Aid & School Finance, MDE**, phone: (517) 335-0521, fax: (517) 241-0196, e-mail: [HanrahanD@Michigan.gov](mailto:HanrahanD@Michigan.gov)